

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6771

BILL NUMBER: HB 1265

NOTE PREPARED: Feb 1, 2010

BILL AMENDED:

SUBJECT: Coal bed methane property.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Regulation of Coal Bed Methane Wells.* This bill requires the Natural Resources Commission (NRC) to (1) regulate coal bed methane wells; (2) establish alternative spacing, unit, and bonding requirements for coal bed methane wells; and (3) adopt rules to regulate coal bed methane production. The bill makes findings concerning coal and coal bed methane. It provides for regulation of coal bed methane wells and other gas wells in a similar manner.

Division of Oil and Gas. The bill requires the Division within the Department of Natural Resources (DNR) to post on its web site applications for coal bed methane permits, prohibits issuance of a permit less than 30 days after the posting, and establishes other permit issuance criteria. The bill allows the division to require an owner or operator to modify the location for the drilling of a well for oil and gas purposes and require an owner or operator to provide notice of the intent to drill under certain circumstances.

The bill establishes coal seam protection requirements with respect to producing oil and gas wells. It adjusts the requirements for an affidavit used to determine if a commercially minable coal resource is present in an area for which a permit application has been filed. The bill establishes plugging requirements for areas underlain by commercially minable coal resources. It allows an owner or operator of a coal mine to burn by flares coal bed methane under certain circumstances. The bill provides for the establishment of an estate in land with respect to coal bed methane comparable to an estate that may be established under current law with respect to oil and gas. The bill limits the exercise of rights in certain circumstances under a coal bed methane estate if the exercise affects miner safety or coal resources. The bill establishes relative rights between a coal estate in land and a coal bed methane estate in land.

It provides that certain oil and gas statutes do not apply to methane ventilation governed under an approved

federal Mine Safety and Health Administration coal mine ventilation plan.

Definitions. The bill defines "coal bed methane". It redefines "commercially minable coal resource" for purposes of oil and gas drilling statutes, and allows an owner or lessee of coal to file an affidavit identifying a commercially minable coal resource.

Repeals. It repeals provisions concerning coal seam protection requirements.

Effective Date: July 1, 2010.

Explanation of State Expenditures: The bill will require the adoption of rules and posting of information on the DNR website. The bill's requirements are within the DNR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DNR.

Local Agencies Affected:

Information Sources: Chris Smith, DNR.

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